



**Sustainable Finance Department
Bangladesh Bank
Head Office**

Quarterly Review Report on Sustainable Finance of Banks & Financial Institutions



July-September, 2021

Executive Summary

The concern for environmental sustainability and inclusive growth has given mass recognition to the concept of corporate social responsibility and inclusive finance. In an emerging economy like Bangladesh, environmental management needs to be the key focus area of the business fraternity especially the banking industry being the major intermediary. Addressing environmental and social risks associated with financing activities by banks/FIs is a “must do” step in overall Credit Rating for credit approval. Stricter monitoring thereafter disbursement must go on. Accordingly, Bangladesh Bank has also integrated issues of socially responsible initiatives along with core activities of banks/FIs driving towards sustainable finance strategies.

Green and sustainable interventions and frameworks are crucial for making future development more sustainable. Forming sustainable frameworks are very much within the broader scope of sustainable development agenda of a country like Bangladesh. Banks and financial institutions (FIs) hold a unique position in an economic system that can affect production, business and other economic activities through their financing activities, and thus also influence environmental risk management in real economy, and sustainable growth. These institutions can accelerate the movement of a clean world to a large extent. For instance, these institutions can implement a 'go-green' policy for themselves and encourage client firms to adopt clean technology. In the long-term, this strategy is expected to be favorable for firms, to reduce the cost and induce the access to the new market. To advance their interest, all the financial institutions should follow the carbon footprint of their clients or projects to ensure overall sustainability.

For the first time Bangladesh Bank (BB) has defined ‘Sustainable Finance’ for Banks & FIs. This report entails the information on all the policy initiatives and operational approaches on Sustainable finance taken by BB, and the Sustainable Finance activities of Banks & FIs from July 01 to September 30, 2021 timeline. It also covers green finance/investment by 61 scheduled banks and 34 FIs under refinance scheme.

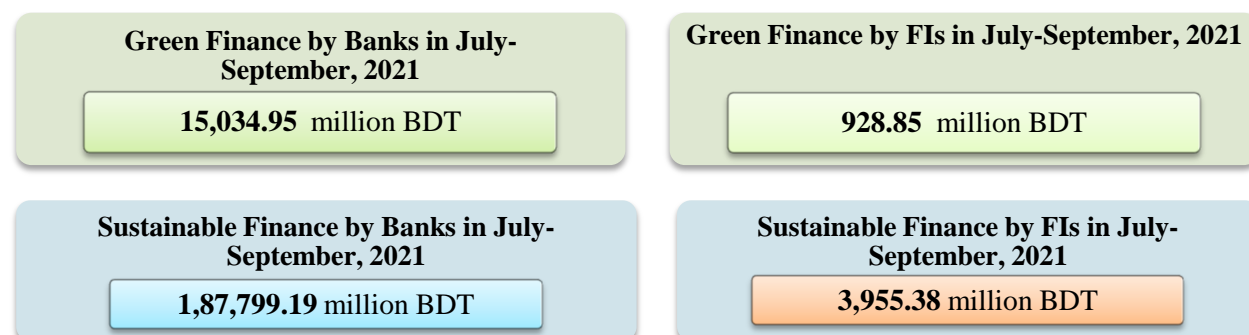


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1. Introduction

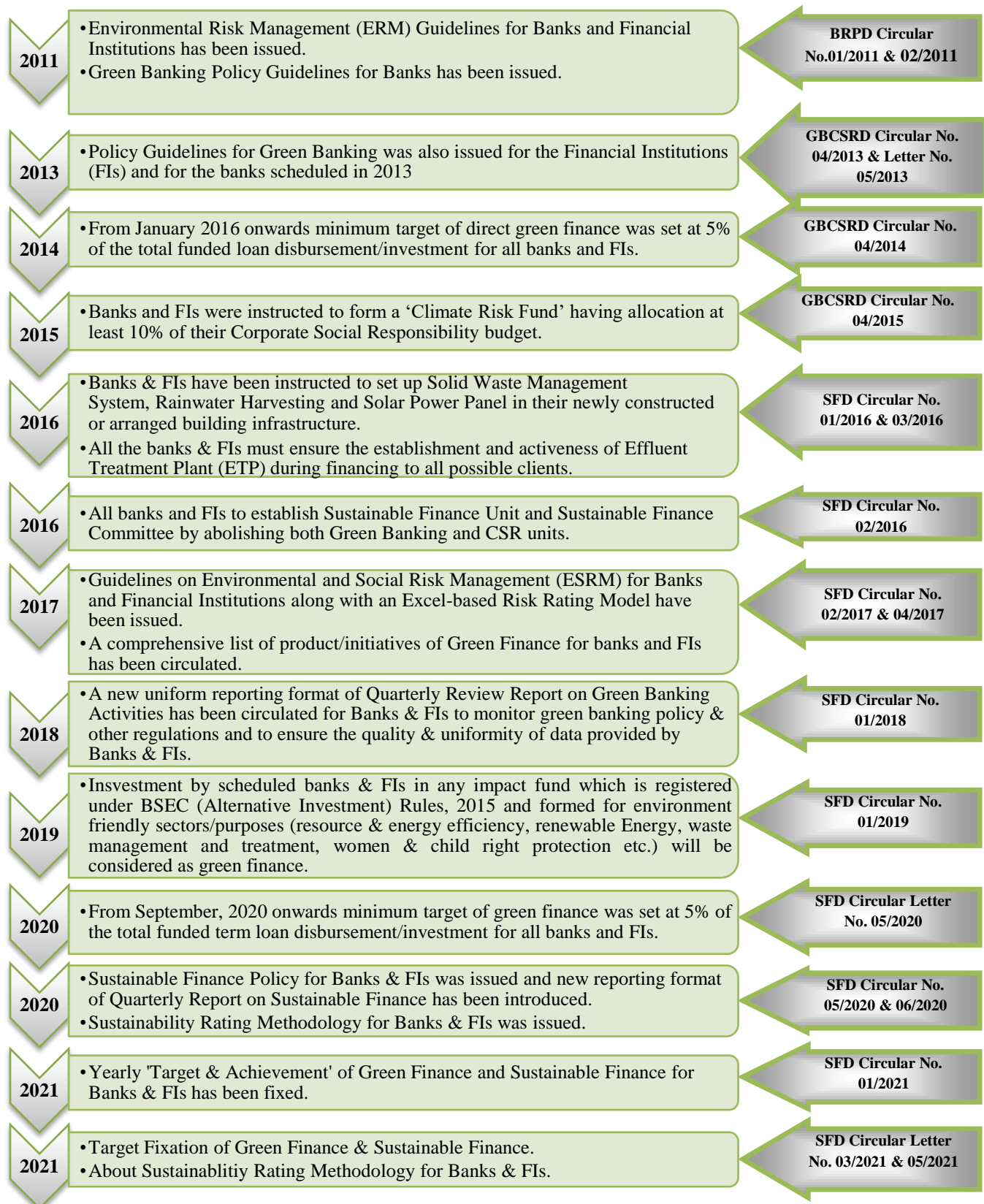
Sustainability has become one of the mainstream considerations in the financial sector. Bangladesh by its geography is a highly vulnerable country of climate change. Recognizing that the financial sector can play a catalytic role in speeding up adoption of environmentally friendlier output practices in the real economy; Bangladesh Bank (BB) has become role model by pioneering green banking initiatives by guiding proactively the banks and NBFIs since 2011. In this context, Sustainable Finance initiatives of BB broadly categorized into the following aspects: policy initiatives, monitoring of Sustainable Finance activities of banks and NBFIs, refinance support from BB in diverse green products/sectors, and BB's own initiatives for environmental management. Introduction of Sustainable Finance Policy has given an ample opportunity for the banks and FIs to contribute to inclusive Sustainable Green Growth where Green Finance, Sustainable Agriculture, Sustainable CMSME, Socially Responsible Financing, other financing and CSR activities linked to sustainability is structurally addressed. Sustainable Finance refers to the business conducted in such areas and in such a manner that help the overall reduction of external carbon emission and internal carbon footprint.

The banking sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, the banking sector can play an intermediary role between economic & social development and environmental protection, for promoting environmentally sustainable and socially responsible investment.

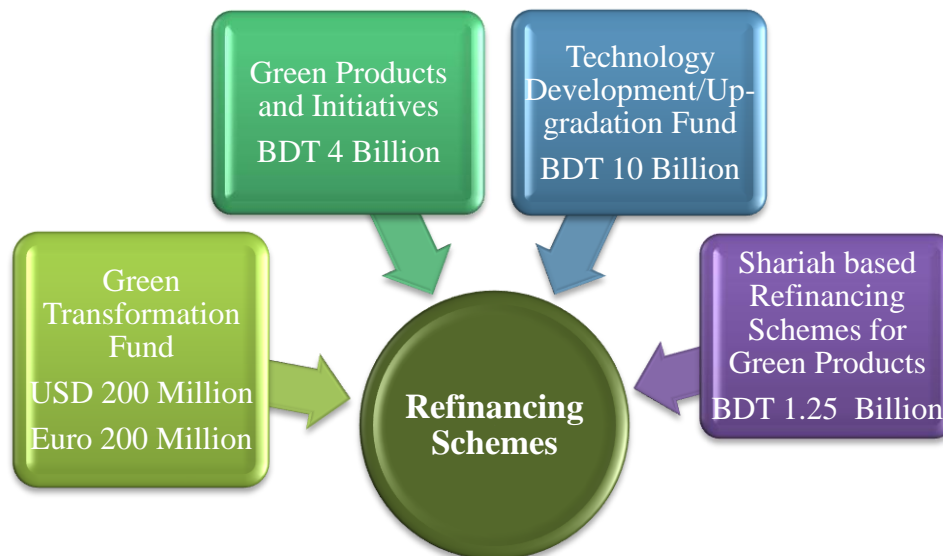
Quarterly Review Report on Sustainable Finance has been introduced for the first time not only for the green banking activities but also covering all the components of sustainable finance under Sustainable Finance Taxonomy. This report reflects a review of banks and FIs' efforts concerning People, Planet and Profit.

2. Policy Chronology and Refinancing Initiatives of BB

2.1 Policy Chronology:



2.2 Refinancing Initiatives of BB:



3. At a Glance Sustainable Finance in July-September, 2021

3.1 Sustainable Finance:

A. Highlights:

Issue	Banks	FIs	Total
Sustainable Finance (in million BDT)	187,799.19	3,955.38	191,754.57
Sustainable Finance as % of Total Loan Disbursement	8.37%	9.02%	8.38%
Green Finance (in million BDT)	15,034.95	928.85	15,963.80
Green Finance as % of Total Term Loan Disbursement	3.12%	3.49%	3.14%
Sustainable Linked Finance (in million BDT)	172,764.24	3,026.53	175,790.77

B. Sector-wise Sustainable Finance:

Issue	Sustainable Finance (in million BDT) by Banks & FIs						Green Finance	Sustainable Finance
	Sustainable Linked Finance (SLF)							
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects/Initiatives	Priority Green/Eco-Friendly Products for Trading Sector			
	1					2	1+2	
Banks	53,924.38	26,145.59	39,705.05	46,535.27	6,453.95	15,034.95	187,799.19	
FIs	327.95	630.24	1,595.00	367.89	105.45	928.85	3,955.38	
Total	54,252.33	26,775.83	41,300.05	46,903.16	6,559.40	15,963.80	191,754.57	

3.2 Borrowers in Sustainable Finance:

A. Sector-wise:

Borrowers in Sustainable Finance by Banks & FIs							
Issue	Sustainable Linked Finance (SLF)					Green Finance	Sustainable Finance
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects/Initiatives	Priority Green/Eco-Friendly Products for Trading Sector		
	1					2	1+2
Banks	448,272	3,684	148,353	766	282	3,250	604,607
FIs	277	62	512	26	57	181	1,115
Total	448,549	3,746	148,865	792	339	3,431	605,722

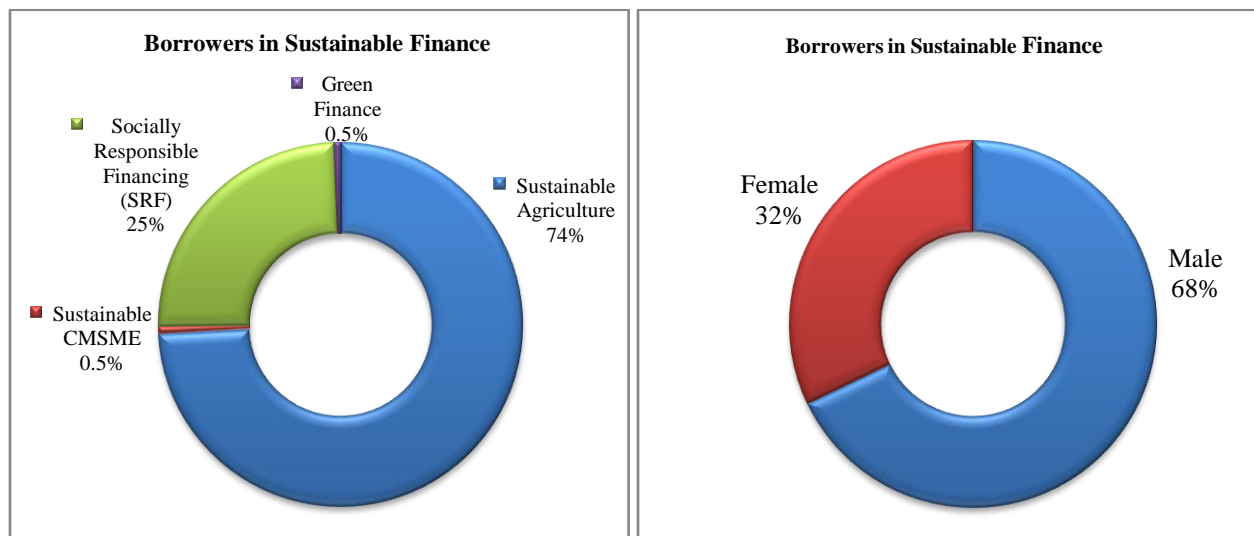
B. Gender-wise:

Number of Borrowers in Sustainable Finance	Male	Female	Third Gender	Total
Banks	410,716	193,891	0	604,607
FIs	522	593	0	1,115
Total	411,238	194,484	0	605,722

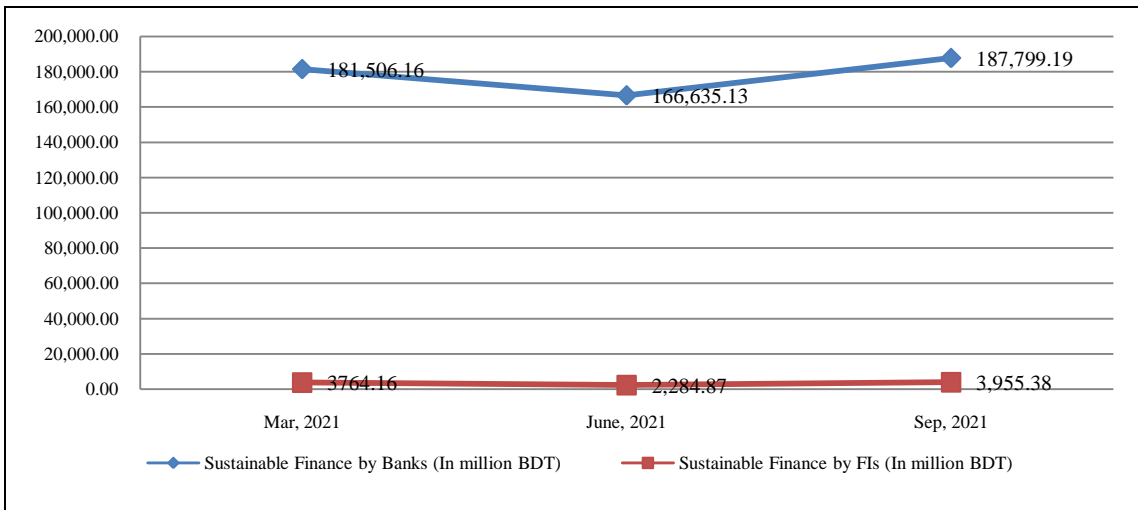
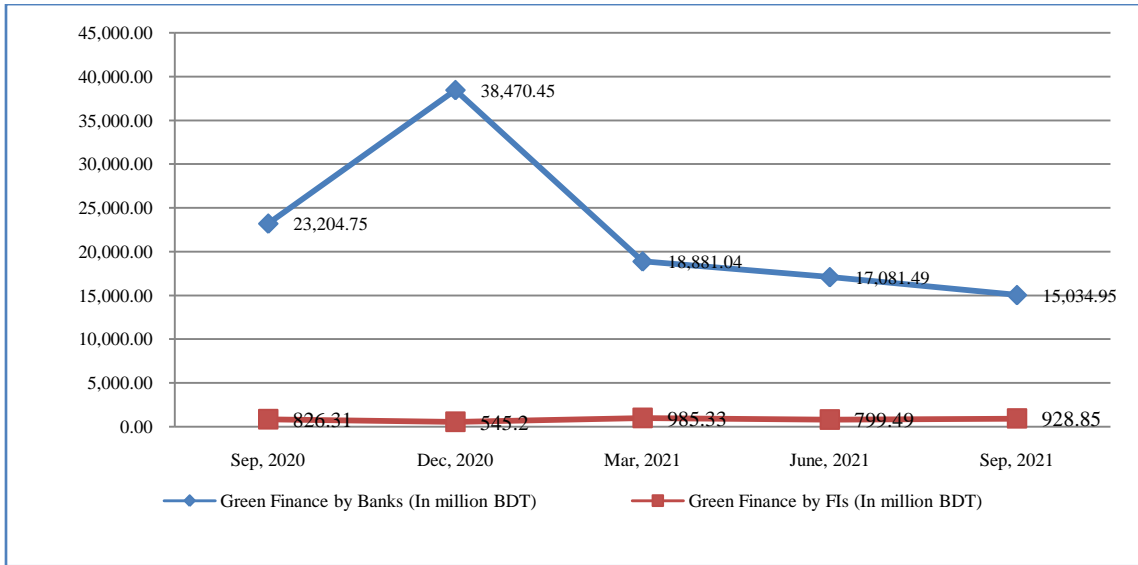
C. Rural-Urban wise:

Number of Borrowers in Sustainable Finance	Rural	Urban	Total
Banks	395,996	208,611	604,607
FIs	729	386	1115
Total	396,725	208,997	605,722

D. Graphical Representation of Borrowers in Sustainable Finance



E. Quarterly Trend of Green Finance & Sustainable Finance



In September, 2021 Quarter contribution to Green Finance is 15,963.80 million taka which is 1,917.18 million taka lesser than June, 2021 Quarter. Similarly, in September, 2021 Quarter contribution to Sustainable Finance is 191,754.57 million taka which is 22,834.57 million taka higher than June, 2021 Quarter. Moreover, due to change in the definition and base for target attainment of Green Finance there is a shuttle change in Green Finance disbursement from January, 2021. Since sustainable finance has been introduced for the first time in Sustainable Finance Policy on 30 December 2020, the data of sustainable finance has been available from March, 2021.

3.3 Utilization of Climate Risk Fund:

Banks

78.16 million BDT in 16 Events
0.05 million BDT in 1 Projects

There is no contribution from FIs in Climate Risk Fund in this quarter.

3.4 Environmental & Social Risk Management:

Issue	Banks	FIs	Total
Number of Environmental Risk Rated Projects	26,718	1,826	28544
Number of Environmental Risk Rated Projects Financed	42,344	1,732	44076
Amount Disbursed Against Rated Projects (in million BDT)	643,882.54	17,480.53	661363.10

3.5 Environmental Conservation in Business Centres (Data Shown as Cumulative):

Issue	Banks	FIs	Total
Number of Solar Powered Branches	678	4	682
Number of Branches with Rainwater Harvesting	5	2	7
Number of Branches with Solid Waste Management System	12	2	14
Number of Solar powered ATM Booths	26	-	26
Number of Solar Powered Agent Outlets	20	-	20
Online branches (as % of total branches)	100.00%	N/A	N/A

3.6 Leading Banks & FIs in Sustainable Finance & Green Finance¹ (July-September, 2021):**A. Sustainable Finance**

Name of the Banks	Target Attainment	Name of the NBFIs	Target Attainment
Bangladesh Krishi Bank	61.02%	Infrastructure Development Company Ltd	100.00%
State Bank of India	53.81%	Industrial and Infrastructure Development Finance Company Ltd	65.26%
Shimanto Bank Ltd	32.78%	Bangladesh Infrastructure Finance Fund Ltd	48.03%
Bank Alfalah	30.52%	Agrani SME Financing Company Ltd	38.67%
Citi Bank NA	21.59%	Prime Finance & Investment Ltd	24.12%
Mutual Trust Bank Ltd	21.29%	IDLC Finance Ltd	23.73%
		Bangladesh Finance Limited	20.16%

B. Green Finance

Name of the Banks	Target Attainment	Name of the NBFIs	Target Attainment
State Bank of India	67.86%	Infrastructure Development Company Ltd	100.00%
Islami Bank Bangladesh Ltd	16.22%	Bangladesh Infrastructure Finance Fund Ltd	48.03%
Rupali Bank Ltd	11.28%	Agrani SME Financing Company Ltd	9.04%
Mutual Trust Bank Ltd	10.49%	Bangladesh Finance Limited	8.18%
IFIC Bank Ltd	8.92%	Bay Leasing & Investment Ltd	8.10%
Brac Bank Ltd	6.05%	IDLC Finance Ltd	7.39%
Pubali Bank Ltd	5.93%		
NRB Bank Ltd	5.89%		
Eastern Bank Ltd	5.06%		

¹ Target attainment in Sustainable Finance (SF): Disbursement in SF \geq 20% of total loan disbursement.
Target attainment in Green Finance (GF): Disbursement in GF \geq 5% of total term loan disbursement.

4. Review on Sustainable Finance Activities of Banks and Financial Institutions (FIs)

4.1 Policy Formulation and Governance:

All scheduled banks and FIs except Bengal Commercial Bank Ltd have formed their own Sustainable Finance Unit. Bangladesh Bank has introduced Sustainable Finance Policy in December, 2020. Through this policy BB has defined Sustainable Finance for Banks & FIs. All the Banks and FIs have to form their own Sustainable Finance Policy within this year.

4.2 Overview of Sustainable Finance:

53 Banks out of 61 and 10 FIs out of 34 have had exposure in sustainable finance in the reporting quarter. The snapshot of Sustainable Finance by banks and FIs during July-September, 2021 quarter is shown in Table-4.1, 4.2 and 4.3.

Table-4.1: Sustainable Finance in July-September, 2021

(In million BDT)

Type of Bank/FI	Total Loan Disbursed	Total Term Loan Disbursed	Green Finance		Sustainable Finance	
			Disbursed	Outstanding	Disbursed	Outstanding
SOCBs (06)	169,907.47	45,234.73	607.54	22,917.07	5,782.57	150,479.39
SDBs (03)	29,217.17	5,153.19	1.39	223.76	13,732.38	185,353.46
PCBs (43)	1,773,179.17	413,501.31	14,107.13	244,571.74	129,781.37	638,104.18
FCBs (09)	272,445.24	17,802.18	318.89	4,024.37	38,502.87	56,909.91
Bank's Total	2,244,749.05	481,691.40	15,034.95	271,736.94	187,799.19	1,030,846.93
FIs (34)	43,874.73	26,612.36	928.85	35,300.42	3,955.38	54,813.93
Grand Total	2,288,623.78	508,303.76	15,963.79	307,037.36	191,754.57	1,085,660.86

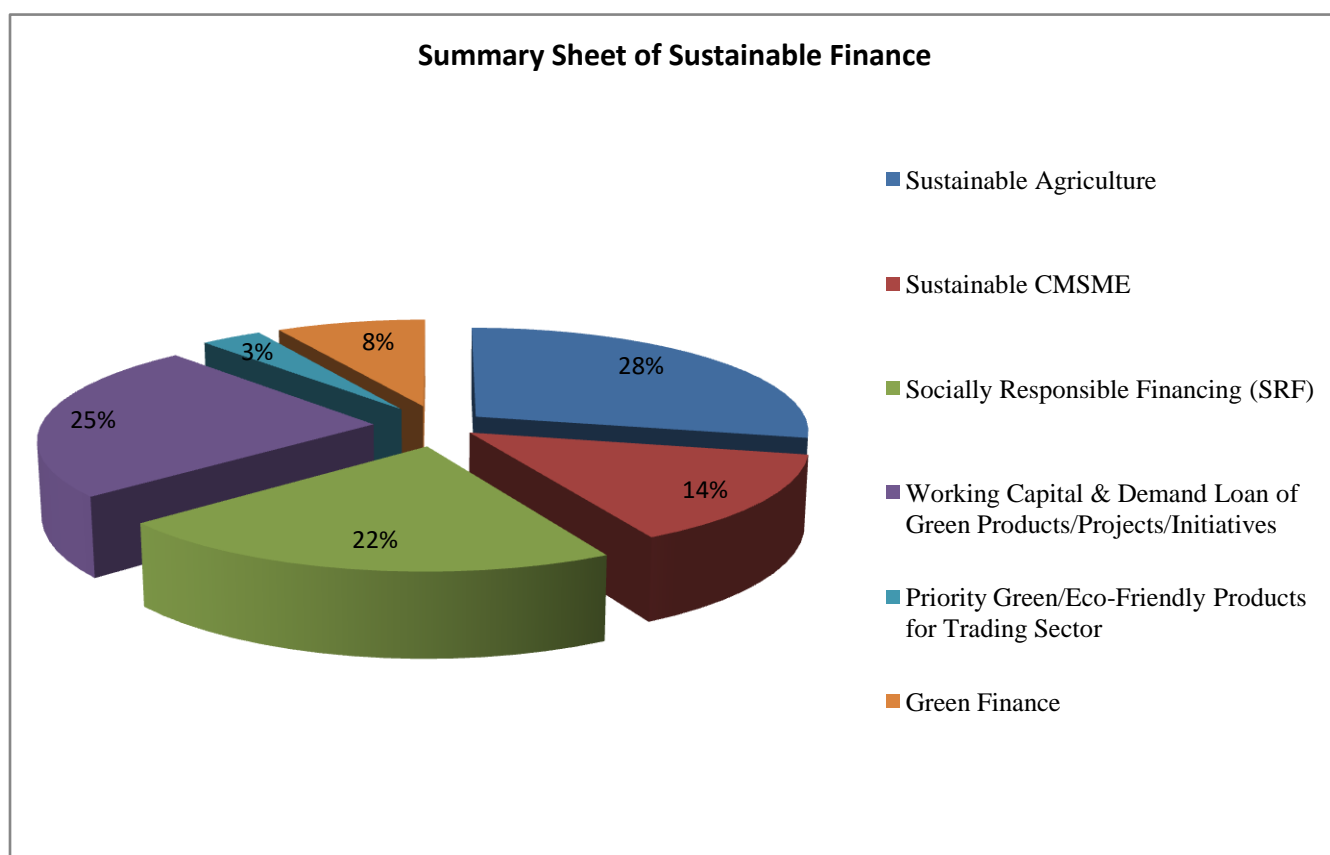
Table-4.2: Recovery and Rescheduling of Sustainable Finance in July-September, 2021

(In million BDT)

Type of Bank/FI	Green Finance		Sustainable Finance	
	Recovery	Rescheduled	Recovery	Rescheduled
SOCBs (06)	266.50	0.00	3,883.27	191.01
SDBs (03)	0.48	0.00	959.68	0.00
PCBs (43)	14,533.06	0.00	51,482.63	141.49
FCBs (09)	459.63	0.00	31,574.62	0.00
Bank's Total	15,259.67	0.00	87,900.20	332.50
FIs (34)	1,080.05	151.64	3,899.46	291.44
Grand Total	16,339.72	151.64	91,799.66	623.93

Table-4.3: Sustainable Finance in Million BDT (July-September, 2021)*(In million BDT)*

Type of Bank/FI	Sustainable Linked Finance (SLF)					Green Finance	Sustainable Finance
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects /Initiatives	Priority Green/Eco-Friendly Products for Trading Sector		
SOCBs (06)	4,017.48	643.55	483.50	30.50	0.00	607.54	5,782.57
SDBs (03)	12,528.31	1,202.68	0.00	0.00	0.00	1.39	13,732.38
PCBs (43)	31,671.11	24,197.70	18,004.48	36,522.74	5,278.21	14,107.13	129,781.37
FCBs (09)	5,707.49	101.66	21,217.07	9,982.03	1,175.74	318.89	38,502.87
Bank's Total	53,924.39	26,145.59	39,705.05	46,535.27	6,453.95	15,034.95	187,799.19
FIs (34)	327.95	630.24	1,595.00	367.89	105.45	928.85	3,955.38
Total	54,252.34	26,775.83	41,300.05	46,903.16	6,559.40	15,963.79	191,754.57

Figure-4.1: Sustainable Finance by Banks and FIs in different sectors

4.3 Green Finance- Category wise:

35 Banks out of 61 and 7 FIs out of 34 have had exposure in green finance in the reporting quarter. Total amount invested as green finance has been BDT 15,034.95 million by banks and 928.85 million by FIs in July-September, 2021 quarter. A brief picture of sector wise green finance by Banks and FIs is shown in Table-4.4 & 4.5:

Table-4.4: Green Finance (in million BDT)

Type of Bank/FI	Sectors of Green Finance				
	Renewable Energy	Energy Efficiency	Alternative Energy	Liquid Waste Management	Solid Waste Management
SOCBs (06)	4.02	63.72	0.00	26.76	0.00
SDBs (03)	1.20	0.00	0.00	0.00	0.00
PCBs (43)	243.61	2,575.65	35.84	927.16	0.00
FCBs (09)	0.00	0.00	0.00	0.21	0.00
Bank's Total	248.83	2,639.36	35.84	954.14	0.00
FIs (34)	148.77	203.21	0.00	59.50	38.39
Grand Total	397.61	2,842.58	35.84	1,013.64	38.39

Table-4.4: Green Finance (in million BDT)- *Table Continued*

Type of Bank/FI	Sectors of Green Finance					
	Recycling & Manufacturing of Recyclable Goods	Environment Friendly Brick Production	Green/ Environment Friendly Establishments	Green Agriculture	Green CMSME	Green SRF
SOCBs (06)	62.73	34.20	6.93	3.49	405.69	0.00
SDBs (03)	0.00	0.00	0.00	0.19	0.00	0.00
PCBs (43)	1,230.44	237.88	8,752.88	57.84	24.27	21.56
FCBs (09)	0.00	0.00	95.54	223.14	0.00	0.00
Banks' Total	1,293.17	272.08	8,855.35	284.66	429.96	21.56
FIs (34)	0.00	0.00	100.00	34.60	258.97	85.40
Grand Total	1,293.17	272.08	8,955.35	319.26	688.93	106.96

Table-4.5: Target Attainment by Banks and FIs

Type of Bank/FI	Green Finance as % of Total Term Loan Disbursement	Sustainable Finance as % of Total Loan Disbursement
	SOCBs (06)	1.34%
SDBs (03)	0.03%	47.00%
PCBs (43)	3.41%	7.32%
FCBs (09)	1.79%	14.13%
Banks' Total	3.12%	8.37%
FIs (34)	3.49%	9.02%
Grand Total	3.14%	8.38%

4.4 Compliance Overview of ESRM Framework:

42 banks out of 61 and 14 FIs out of 34 have conducted environmental risk rating in the reporting quarter.

Table-4.6: Environmental & Social Risk Rating

Type of Bank/FI	No. of Projects Rated	No. of Rated Projects Financed	Amount disbursed in Rated projects (in million BDT)
SOCBs (06)	3,404	3,295	10,760.04
SDBs (03)	0	0	0.00
PCBs (43)	22,734	38,703	585,094.16
FCBs (09)	580	346	48,028.34
Banks' Total	26,718	42,344	643,882.54
FIs (34)	1,826	1,732	17,480.53
Grand Total	28,544	44,076	661,363.07

4.5 In-house Environment Management:

Table-4.7: Environmental Conservation in Business Centers

Type of Bank/FI	No. of Branches	No. of Branches Powered by Solar Energy	Number of Branches with Rainwater Harvesting	Number of Branches with Solid Waste Management System	No. of ATM Booths	No. of ATM Booths powered by Solar Energy	Number of Agent Outlets	Number of Solar Powered Agent Outlets
SOCBs (06)	3,818	81	0	0	353	2	400	0
SDBs (03)	1,421	0	0	0	7	0	0	0
PCBs (43)	5,474	594	3	2	9,399	20	19,872	20
FCBs (09)	72	3	2	10	136	4	0	0
Bank's Total	10,785	678	5	12	9,895	26	20,272	20
FIs (34)	276	4	2	2	-	-	-	-
Grand Total	11,061	682	7	14	9,895	26	20272	20

4.6 Green Investment

There is no investment in Green Bond, Green Sukuk or Impact Fund by Banks & FIs in this Quarter.

4.7 Training, Promotion and Disclosure:

29 Banks and 7 FIs have arranged training programs concerning Sustainable Financing. A snapshot on training in July-September, 2021 quarter is given below:

Table-4.8: Training in July-September, 2021			
Type of Bank/FI	No. of Programs	No. of Employees	No. of Customers
SOCBs (06)	5	301	0
SDBs (03)	3	182	0
PCBs (43)	77	3647	96
FCBs (09)	65	295	0
Bank's Total	150	4,425	96
FIs (34)	16	214	0
Grand Total	166	4639	96

5. Review on Refinancing Schemes of BB for Green Finance

Table-5.1: At a glance Funding Schemes of BB for Green Finance in July-September, 2021

Funding scheme of BB	Amount	Number of Project
Disbursement from Refinance Scheme for Environment Friendly Products/Initiatives (in million BDT)	230.81	7
Disbursement from Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives (In million BDT)	-	-
Disbursement from Green Transformation Fund (GTF) (In million USD)	7.40	5
Disbursement from Green Transformation Fund (GTF) (In million Euro)	19.43	3
Disbursement from Technology Development/Up-gradation Fund (TDF) (In million BDT)	-	-

5.1 Refinance Scheme for Environment Friendly Products/Initiatives:

To broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., BB established a revolving refinance scheme amounting to BDT 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. The size of the fund has been increased from BDT 2 billion to BDT 4 billion in view of the growing demand for financing of environment friendly products/initiatives². The product line has been enhanced to 55 under 09 categories. Since inception, total amount of Tk. 5,912.69 million has been disbursed as refinance facility from the fund till 30 September, 2021. The disbursement scenario of this scheme during July-September, 2021 quarter is furnished below:

Table-5.2: Sub-category/ Product wise Disbursement

SL. No	Sub-category/ Product	BDT in million
1	Establishment of Certified Green Industry	200.00
2	Safety and Work Environment of Factory	7.6
3	Solar Home System	1.22
4	Integrated Cow Rearing and Setting up of Bio-gas Plant	1.42
5	Production of Vermicompost	0.57
6	Biological ETP	20.00
Total Disbursement		230.81

5.2 Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives:

Bangladesh Bank has introduced refinance scheme funded by excess liquidity of shariah based financial institutions to facilitate the shariah based banks and FIs in 2014³. In 2018 Bangladesh Bank has issued an integrated and comprehensive “master circular”⁴ by revising and incorporating all the

² SFD Circular 02/2020

³ GBCSRD circular no. 06 /2014

⁴ SFD Circular No.02/2018

existing circular and circular letters related to this refinance scheme. BB has enhanced the product range under this scheme to 51 and segregated these products into 08 categories. During July-September, 2021 quarter Bangladesh Bank has collected and distributed among the PFI's BDT 0.04 million profits against this scheme.

5.3 Green Transformation Fund (GTF):

In January 2016, a longer-term refinancing window named Green Transformation Fund (GTF) of 200 million USD was launched to ensure sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country⁵. To further fortify the financing arrangement under GTF, it was decided to provision for a Participation Agreement to be signed between Bangladesh Bank and intended banks. To widen the scope of this fund, it has been opened for all manufacturer-exporters irrespective of sectors against import of capital machinery and accessories for implementing specified green/environment-friendly initiatives since September, 2019⁶. Recently, 200 million Euros has been added to the fund⁷. This Euro component of GTF can be used to import not only green machineries but also industrial raw materials (only Buyer's Credit) used in all manufacturing enterprises including both export oriented and deem exporters. Under the GTF in USD and Euro Component, consecutively 28 banks and 23 banks have signed participation agreement with BB. The disbursement from this Fund is 125.16 million USD & 31.53 million Euro till 30 September, 2021. In July-September, 2021 quarter disbursement from this fund is 7.40 million USD & 19.43 million Euro.

5.4 Technology Development/Up-gradation Fund

Refinance Fund for Technology Development/Up-gradation of Tk.1000.00 (One Thousand) Crore offers refinance facility for the modernization and technological development/up-gradation of export oriented industries in Bangladesh⁸. So far 32 industrial sectors mentioned in Export Policy 2018-2021 under 11 initiatives/categories are included in the fund. The fund has been circulated for banks and FIs through the SFD Circular No-02 dated 17 January 2021. So far 25 banks and 8 FIs became Participating Financial Institution or PFI till 30 September, 2021.

⁵ FE Circular No. 02/2016

⁶ FE Circular Letter No. 14/2019

⁷ FE Circular No. 20/2020

⁸ SFD Circular No 02/2021

6. Concluding Remarks:

Shaping a Secure and Sustainable Finance Future for All is essential for national level coordination, as well as international cooperation and international coordination. Recognizing this reality, BB has gone to a paradigm shift by introducing Sustainable Finance Policy for Banks & NBFIs. During the quarter under consideration, after introducing the policy, country has been severely affected by the COVID-19 scenario. Despite of this adverse situation, followings are the outcome:

- In case of Green Finance,
 - ✓ few banks have surpassed the target of green finance compared to the total term loan disbursement (5%). State Bank of India, Islami Bank Bangladesh Ltd, Rupali Bank Ltd, Mutual Trust Bank Ltd, IFIC Bank Ltd, Brac Bank Ltd, Pubali Bank Ltd, NRB Bank Ltd, and Eastern Bank Ltd belong to that league.
 - ✓ NBFIs like Infrastructure Development Company Ltd. (IDCOL), Bangladesh Infrastructure Finance Fund Ltd. (BIFFL), Agrani SME Financing Company Ltd. Bangladesh Finance Ltd., Bay Leasing & Investment Ltd, and IDLC Finance Ltd. have done a decent job.
- In case of Sustainable Finance,
 - ✓ very few banks have been able to stand up against their target (20% of the total loan disbursement). Among the banks, Bangladesh Krishi Bank, State Bank of India, Shimanto Bank Ltd, Bank Alfalah, Citi Bank NA and Mutual Trust Bank Ltd. have performed well; and
 - ✓ among the NBFIs, performance of Infrastructure Development Company Ltd. (IDCOL), Industrial and Infrastructure Development Finance Company Ltd. (IIDFC), Bangladesh Infrastructure Finance Fund Ltd, (BIFFL), Agrani SME Financing Company Ltd. Prime Finance and Investment, IDLC Finance Ltd, and Bangladesh Finance Ltd. were significant.

BB is pursuing to boost up the whole scenario by taking appropriate policy initiatives. Refinance support from BB is also playing an important role to incentivize the green banking activities. As the outcome of these initiatives, it is expected that positive impact will be evidenced in the trend of sustainable finance by banks and FIs in gradual manner. Sustainable Finance Department, BB also anticipates robust, effective and coherent efforts from banks and FIs in the field of sustainable finance.

Preserve nature & reduce pollution



for the sustainability of human race.....